



## EXPANSION OF SHORT-TERM HEALTH PLANS

The Affordable Care Act (ACA), or Obamacare, imposed high costs on health insurance markets and premium prices. To address these adverse impacts, the Trump Administration finalized a rule in October 2018 that expanded access to short-term, limited duration insurance (STLDI).<sup>1</sup> On January 28, 2021, President Biden signed an executive order directing agencies to reexamine certain policies affecting health care,<sup>2</sup> but have yet to issue a rule reversing the Trump STLDI policy.

- **Obamacare Premiums are Expensive and Non-Competitive.**

- Obamacare individual health plans are expensive. In 2017, the average premium in the 39 states using the federal Exchange more than doubled the premium recorded in 2013.<sup>3</sup>
- This is exacerbated by a lack of competition in healthcare markets. In 2018, 26 percent of enrollees living in 52 percent of counties had access to only one insurer on the Exchange.<sup>4</sup>
- As premiums rose, major private insurers began to offer STLDI plans. Enrollment in these plans increased by 121% from 2012 to 2016, even as enrollees were subject to the former Obamacare individual mandate penalty.<sup>5</sup>

- **STLDI Policies Are Affordable, Flexible, and Competitive.**

- These policies create competition by providing a short-term alternative to Obamacare and are an estimated 50 to 80 percent cheaper than Obamacare plans.<sup>6</sup>
- Enrollment may only require responses to “yes/no” questions and can take effect as early as the next day.<sup>7</sup>
- STLDI plans are excluded from the definition of “individual health insurance coverage,” and not required to provide all 10 categories of benefits mandated for such plans.<sup>8</sup> Instead, individuals can choose plans with coverage that aligns with their needs.
- They are also exempt from Obamacare’s “community-rating” regulations which impose uniform premium levels across broad demographic groups, regardless of healthcare costs.<sup>9</sup>
- STLDI plans may not be the best option for every individual.<sup>10</sup> However, expanding STLDI plans provides an option that returns power to people, and not Washington.

- **The STLDI Rule Expanded Short-Term Insurance Policies.**

- Previously, STLDI policies had a maximum length of under three months.<sup>11</sup> The Trump Administration amended the definition of short-term, limited duration insurance to mean health coverage, with a:
  - Specified end date of less than 12 months after the contract’s effective date; and
  - Duration of up to 3 years total, with renewals or extensions.<sup>12</sup>
- The rule did not change or eliminate existing rules governing plans under Obamacare.

<sup>1</sup> Short-Term, Limited-Duration Insurance Rule, 83 FR 38212 (August 3, 2018), <https://www.federalregister.gov/documents/2018/08/03/2018-16568/short-term-limited-duration-insurance>.

<sup>2</sup> <https://www.whitehouse.gov/briefing-room/statements-releases/2021/01/28/fact-sheet-president-biden-to-sign-executive-orders-strengthening-americans-access-to-quality-affordable-health-care/>

<sup>3</sup> ACA plans further drove up premiums by forcing some individuals to pay for coverage and services they did not need or could not afford. <https://www.federalregister.gov/documents/2017/10/17/2017-22677/promoting-healthcare-choice-and-competition-across-the-united-states>

<sup>4</sup> *Kaiser Family Foundation*, “*Insurer Participation on ACA Marketplaces, 2014-2018*,” <https://www.kff.org/private-insurance/issue-brief/insurer-participation-on-aca-marketplaces-2014-2020/> (November 10, 2017).

<sup>5</sup> Manhattan Institute, *Renewable Term Health Insurance: Better Coverage than Obamacare*, (May 16, 2019), <https://www.manhattan-institute.org/cheaper-health-insurance-alternatives-to-obamacare-for-low-medium-risk-patients>.

<sup>6</sup> <https://www.whitehouse.gov/briefings-statements/president-donald-j-trumps-administration-working-provide-flexible-affordable-healthcare-options-americans/> (August 1, 2018).

<sup>7</sup> Short-term health insurance by state, <https://www.healthinsurance.org/short-term-health-insurance/#gone> (Last accessed September 23, 2020).

<sup>8</sup> Short-Term, Limited-Duration Insurance Rule, 83 FR 38212 (August 3, 2018), <https://www.federalregister.gov/documents/2018/08/03/2018-16568/short-term-limited-duration-insurance>.

<sup>9</sup> *Id.*

<sup>10</sup> For example, individuals with pre-existing conditions or those who need more comprehensive coverage.

<sup>11</sup> Cato Institute, “Comments on Short-Term, Limited Duration Insurance – CMS-9924-P,” (April 23, 2018), <https://www.cato.org/sites/cato.org/files/pubs/pdf/cannon-short-term-insurance-comment-update.pdf>.

<sup>12</sup> Short-Term, Limited-Duration Insurance Rule, 83 FR 38212 (August 3, 2018), <https://www.federalregister.gov/documents/2018/08/03/2018-16568/short-term-limited-duration-insurance>.